



# Capital Magnet Fund Recipient Training

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## Economic Development Activities

**COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND**

[www.cdfifund.gov](http://www.cdfifund.gov)

# Training Goals



At the conclusion of the webinar, Recipients will understand basic information related to financing Economic Development Assistance (EDA) Projects using the Capital Magnet Fund (CMF) Award:

- Typical EDA Project Lifecycle under the CMF
- General Requirements
- Concerted Strategy
- “In Conjunction with”
- Commitments to EDA Projects and other matters

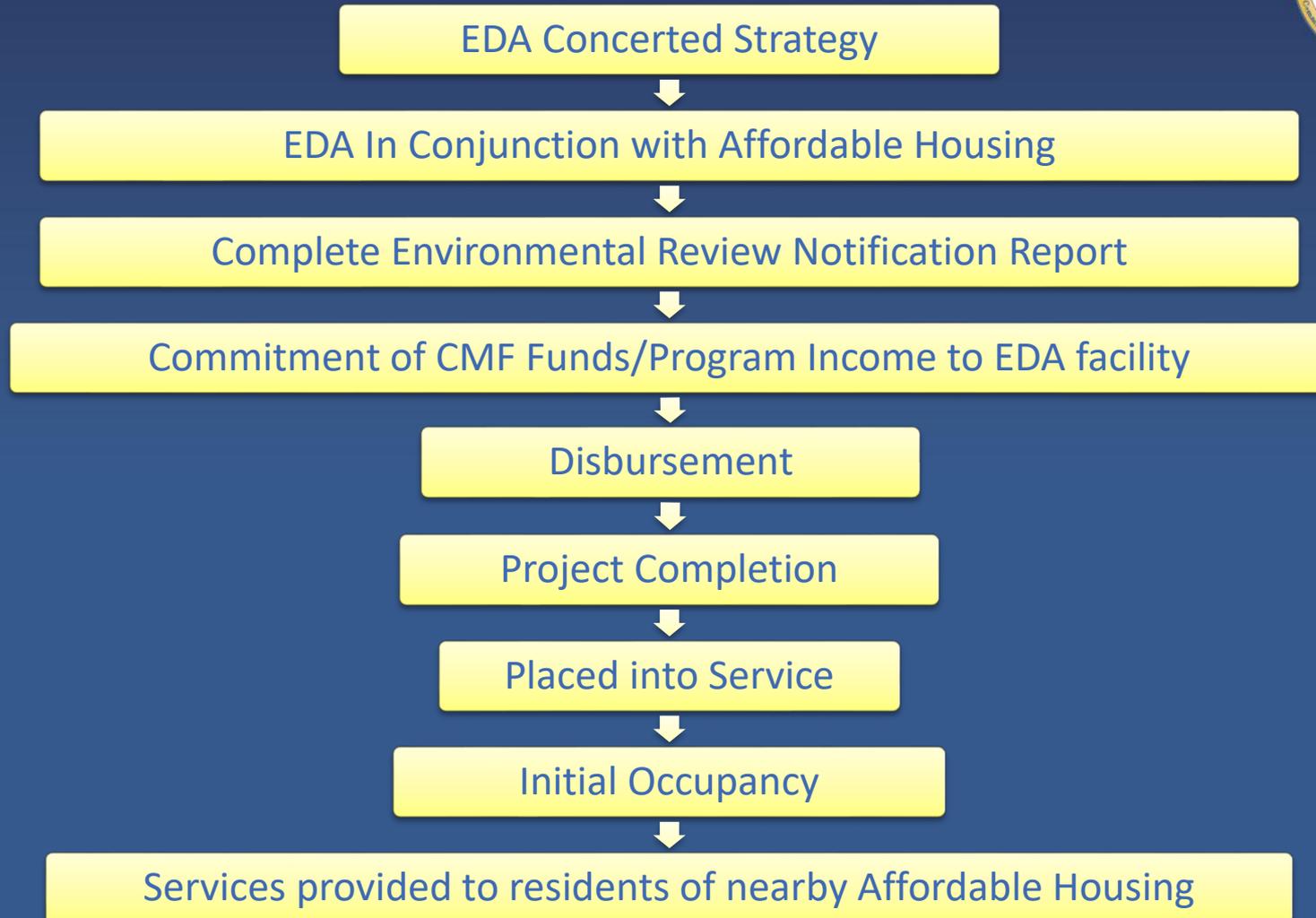
# Assistance Agreement is Your Contract



- The Assistance Agreement is a binding legal contract.
- By signing the Assistance Agreement, you agree to its terms and conditions and the requirements of the CMF Interim Rule (12 C.F.R. 1807).
- The specific Performance Goals in the Assistance Agreement may be different than what was proposed in your Application.
- **Caution:** Do not assume that everything proposed in your Application is permissible under the Program rules. Not sure?...Please ask us for guidance!
- 2020 Assistance Agreement ≠ 2019 Assistance Agreement
- This presentation is NOT a substitute for reviewing the Assistance Agreement.
- The order of the presentation slides follows the typical Project lifecycle.

\*\* Capitalized terms in the presentation are defined in the CMF Interim Rule and/or the Assistance Agreement

# Economic Development Activity (EDA) Lifecycle



# Concerted Strategy



Economic Development Activity must be supported by a Concerted Strategy (12 CFR 1807.104): a formal planning document that evidences the connection between **Affordable Housing Activities** and **Economic Development Activities**.

- Strategy should establish there is a purposeful intent for the EDA facility to serve and/or be available for Affordable Housing residents.
- The Concerted Strategy is a document created by governments, instrumentalities of government, and planning authorities – not civic associations, chambers of commerce or the Recipient, e.g., a government comprehensive, consolidated, or redevelopment plan; other local or regional planning document approved by a local governing body.
- Retain a copy of the Concerted Strategy document in the Project file for possible CDFI Fund review.

# EDA In Conjunction with Affordable Housing



- EDA must serve Families in nearby Affordable Housing, but the Affordable Housing doesn't have to be CMF-financed. Additionally, the EDA does not need to exclusively serve Affordable Housing residents, it can serve other residents as well.
- “In Conjunction With Affordable Housing” (12 CFR 1807.104) imposes certain access and proximity requirements on EDA Projects:
  1. Physically proximate.
    - For a Metro Area, being located within the same census tract or within 1 mile of the Affordable Housing.
    - For Non-Metro Area, being located in the same county or within 10 miles of the Affordable Housing.
  2. Reasonably available to residents of Affordable Housing.

# Environmental Review Notification Report



- For each Project be sure to complete and keep on file a copy of the Environmental Review Notification Report.
  - If the Recipient determines that no “Categorical Exclusion” applies, the CDFI Fund must conduct an Environmental Assessment (EA). (Notify the CMF Program as soon as possible and prior to investment – EAs can take many months to complete.)
  - Categorical Exclusion or CDFI Fund EA determination is required prior to disbursement of the CMF Award in each Project.
  - Recipients must complete assessment for categorical exclusion prior to issuance of a commitment.

# Commitment



Commitments have four key elements:

1. Written;
2. Executed;
3. Legally-binding; and
4. Made to a third-party developer or project sponsor

Associated Requirements:

- 100% of CMF Award must be Committed for use within two years of the Effective Date!
- Retain an executed copy of the commitment agreement for possible CDFI Fund review.
- Assistance Agreement requires a written agreement expressly authorizing the CMF grant to be used only for Eligible Project Costs. Commitment agreement can be used for this purpose.

# Commitment



## See Section 4.1 – 4.3 of Assistance Agreement

- A valid Commitment requires that the Recipient be able to demonstrate for each Project that:
  - It expects construction to start within 12 months, or
  - Property title transfer within 6 months, or
  - Project Completion within 5 years of Assistance Agreement Effective Date.
- Retain documentation for possible CDFI Fund inspection.
- If there is no counterparty, the Recipient may use the guidance on alternative forms of commitment. See Section 4.2 of the Assistance Agreement and the [Guidance on Commitment Counterparty Waiver](#) under the Compliance Resources section for the CMF Program on the CDFI Fund website.

# Commitment Best Practices



1. State explicitly that CMF dollars are being Committed for use.
2. Clearly identify the Project being financed (XYZ Project located at 123 Main Street, Manchester, VT 05253).
3. Include the date of the commitment.
4. Have the commitment counter-signed.

# Disbursement



See Section 3.2(i) & 4.4 of the Assistance Agreement

- Recipients must disburse at least a portion of the CMF Award to at least one Project within 3 years of the Effective Date.
  - Disbursements to every individual Project is not required by this date.
  - Recipients have until the Project Completion date to fully disburse the CMF Award (100%) into the CMF Projects.
- When CMF Award is used for Loan Loss Reserve or Loan Guarantee, initial disbursement occurs when the loan or associated loan is closed and the associated Loan Loss Reserve or guaranty funds are designated for that purpose within a system of record (accounting system).

# Project Completion, Initial Occupancy & On-going Monitoring



## See Article IV of the Assistance Agreement

- Project Completion occurs when the building is able to be occupied after construction or Rehabilitation and all CMF investments have been made (e.g., Project has received a Certificate of Occupancy for new construction).
- Initial Occupancy occurs when the facility tenant/owner begins occupancy of the facility.
- There are no affordability tracking requirements specific to EDA. If Affordable Housing is also financed through the CMF Program, that must be tracked.
- The CDFI Fund strongly encourages tracking data regarding how residents of the surrounding Affordable Housing are being served by the EDA facility in order to demonstrate the facility is reasonably accessible to these residents.

# Additional EDA Requirements



See 12 CFR 1807.104 for key definitions, 12 CFR 1807.300(b) and Sections 3.2(b) and 5.4 of the Assistance Agreement.

- EDA may only be financed under the CMF Program if approved as an eligible use in your Assistance Agreement.
- Limited to 30% of the Award amount whether invested from the initial CMF Award or Program Income.
- Eligible Project Costs may only be associated with physical structures, not operational costs or financing of the business.
- Certain limitations exist to EDA (e.g. – no residential treatment facilities, certain “sin” businesses). See Section 3.5 of the Assistance Agreement.
- Seek CMF Program technical assistance prior to financing EDA to ensure that your Project will qualify and to prevent non-compliance.

# Contact Info & Support



## Help and Resources

- **AMIS User Guide:** A step-by-step AMIS User Guide can be found on the AMIS homepage at <https://amis.cdfifund.gov/s/AMISHome>

For the best service, the CDFI Fund recommends submitting a Service Request in AMIS. Select “Capital Magnet Fund” for Program and clearly indicate the issue in the subject line.

| Contact Information |              |  |
|---------------------|--------------|--|
| Type of Question    | Telephone    | Email  |
| Award Support       | 202-653-0421 | <a href="mailto:CMF@cdfi.treas.gov">CMF@cdfi.treas.gov</a>   |
| AMIS Support        | 202-653-0422 | <a href="mailto:AMIS@cdfi.treas.gov">AMIS@cdfi.treas.gov</a> |